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Arizona Corporation Commission

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February 4, 2019

Dear Chairman Burns and Commissioners,

RE: E-00000V-15-0094

On behalf of the Arizona PIRG Education Fund, I thank you for the opportunity to share a consumer organization's perspective on the possible reinstatement of the gas moratorium.

The Arizona PIRG Education Fund supported the Commission's decision last year to require Arizona's utilities to further explore the costs of gas by enacting a moratorium with conditions on future gas investments exceeding 150MW. At this time, we request you to extend the moratorium on new gas development until at least December 31, 2019, as outlined in the comments of Western Resource Advocates, Western Grid Group, and the Southwest Energy Efficiency Project.¹

An extension of the gas moratorium is needed for several reasons:

- There is tremendous price uncertainty with respect to gas. The incredibly low gas prices that we see in the market today may not continue and therefore ratepayers will likely bear additional costs. While utility hedging programs can help to manage some risk, the overall risk is still considerable.
- Gas expansion may require costly investment in pipelines and other infrastructure. It is risky to invest in gas infrastructure when future regulations could "strand" those very same investments. If this happens, Arizona ratepayers will be left with the burden of paying off these expensive assets.
- The Commission is currently evaluating several significant policy actions including retail competition and Commissioner Andy Tobin's *Energy Modernization Plan*. Significant expansion of gas now, while these policy actions are being deliberated and implemented, could ultimately saddle ratepayers with significant stranded costs. These actions may also make Commission directives to invest in more clean energy moot, especially if significant, immediate expansion of gas meets near-term electricity system needs and effectively eliminates the need for other investment options.

¹ <http://docket.images.azcc.gov/0000195715.pdf>

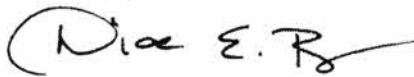
- Investment in gas sends ratepayer money out-of-state for fuel. Other options like investments in energy efficiency and renewable energy keep dollars in the state while also supporting local job creation.
- The Commission voted not to acknowledge the recent utility Integrated Resource Plans in part due to their heavy reliance on gas.² Despite this strong message from the Commission, the recent peaking capacity RFP issued by Arizona Public Service showed a strong preference for gas because it limited the amount of renewables, demand-side management, and storage that could compete while placing no similar limits on gas. This action underscores the need for the Commission to ensure that the utilities it regulates are pursuing balanced portfolios that adequately assess the risks borne by ratepayers.

It is important to note that reinstating the gas moratorium does not preclude Arizona's utilities from pursuing gas. It simply requires them to pause on the rush to gas to ensure that a fair, independent evaluation of all resource options is undertaken and reviewed by the Commission before utilities move forward with procurement decisions.

In conclusion, we encourage you to vote to extend the gas moratorium to at least December 31, 2019.

Thank you again for your dedication to Arizona's ratepayers.

Sincerely,

A handwritten signature in black ink, appearing to read "Diane E. Brown", with a stylized flourish at the end.

Diane E. Brown
Executive Director

² <http://docket.images.azcc.gov/0000186395.pdf>